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economic forecasting project

Monthly Projections for December

Consumers Exhaust Savings for Christmas But Another 1% Drain of GNP by OPEC Assures a Significant Contraction in 1980

A rebound in consumer outlays of 1.7% in November has delayed the onset of recession for yet another month. However, the savings rate now is hovering near the 3% level, well below the rate of savings generated by pension and insurance reserves. Hours worked rose sharply but industrial production declined. This apparent paradox is caused by the unusually large impact that changes in auto production have upon the index of industrial production. Thus, the recession probably has not yet begun through November. Nevertheless, savings rates cannot decline indefinitely. Indeed, we believe that activity will decline abruptly in December, especially in construction related activity. Moreover, the decline should be sufficient to prevent positive growth in economic activity during the fourth quarter.

As a result of the holiday season, no commentary or highlights are presented with these projections. However, the projections are as complete and analytically sound as those contained in reports for other months. GSU hopes that all our subscribers enjoy their holiday season even if its ending will coincide with the beginning of the first recession of the new decade.

FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
July, 1979	148.0	148.0	372.2	372.2	914.1	914.1	10.42	10.42	9.19	9.19
August	149.4	149.4	374.3	374.3	922.5	922.5	10.88	10.88	9.45	9.45
September	151.0	151.0	377.8	377.8	931.9	932.0	11.33	11.33	10.13	10.13
October	152.3	152.5	378.6	378.6	938.6	983.5	13.07	13.07	11.34	11.34
November	153.4	152.7	381.3	378.9	944.8	943.5	15.55	13.65	12.16	11.86
December	154.2	153.8	383.4	380.5	949.8	946.5	14.83	13.89	11.63	12.03
January	154.6	154.5	384.6	383.2	956.3	953.7	13.62	13.12	11.45	11.67
February	154.9	155.0	385.6	384.4	963.9	961.5	12.48	12.43	11.29	11.09
March	155.3	155.4	387.5	385.7	972.1	968.8	11.19	11.66	11.10	10.96
April	156.2	156.1	389.1	387.3	979.5	976.8	10.85	10.99	10.62	10.54
May	157.1	156.7	391.5	388.9	986.3	984.2	10.78	10.75	9.83	10.31
June	158.3	157.5	393.6	391.4	990.7	988.9	10.53	10.88	9.28	10.56
July	159.0	158.2	395.2	393.0	996.5	994.3	10.28	10.72	9.35	10.57
August	159.8	159.0	396.0	395.3	1001.6	1000.2	10.09	10.02	9.39	10.10
September	160.6	159.6	397.1	396.6	1008.8	1007.9	9.71	9.86	9.39	9.63
Oct., 1980	161.4	160.3	398.2	398.3	1013.4	1013.6	9.66	9.62	9.32	9.27

	Aaa (Seasoned)		Municipals		Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
July, 1979	9.20	9.20	6.13	6.13	9.80	9.80	10.04	10.04	11.63	11.63
August	9.23	9.23	6.20	6.20	10.36	10.36	10.58	10.58	11.88	11.88
September	9.44	9.44	6.52	6.52	11.58	11.58	11.79	11.79	13.13	13.13
October	10.00	10.13	7.08	7.08	13.09	13.09	13.19	13.53	14.65	14.65
November	10.45	10.75	7.21	7.30	14.16	13.62	14.43	14.00	15.73	15.22
December	10.11	10.68	6.99	7.16	13.85	13.21	14.09	13.43	15.48	14.85
January	10.05	10.56	6.97	7.10	13.02	12.67	13.25	13.02	14.76	14.44
February	10.05	10.19	6.98	6.85	12.16	12.03	12.41	12.53	13.95	13.93
March	9.99	9.96	6.89	6.72	10.79	11.29	10.95	11.62	12.53	13.23
April	9.91	10.12	6.82	6.77	10.51	10.53	10.77	10.97	12.29	12.52
May	9.83	10.27	6.73	6.88	10.37	10.29	10.56	10.56	12.02	12.16
June	9.72	10.12	6.65	6.78	10.19	10.42	10.39	10.92	11.74	12.47
July	9.70	9.96	6.62	6.65	9.86	10.31	10.06	10.81	11.50	12.41
August	9.69	9.89	6.59	6.60	9.54	9.76	9.94	10.05	11.43	11.65
September	9.68	9.79	6.60	6.54	9.37	9.57	9.65	9.82	11.00	11.44
Oct., 1980	9.64	9.77	6.55	6.55	9.29	9.35	9.45	9.71	10.75	11.31

Fore. = December Forecast

C.E. = Current Expectation

PRICES

	CPI (unadjusted)		PPI Finished Goods		PPI-Industrial Commodities (unadjusted)		Agricultural Prices (unadjusted)		IVA Corp. (annual rate)	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
July, 1979	218.9	218.9	215.8	216.2	237.2	237.2	244	244	43.7	47.1
August	221.1	221.1	217.3	217.3	240.4	240.3	237	237	42.3	45.7
September	223.4	223.4	220.4	220.4	243.8	243.8	240	241	45.1	48.5
October	226.1	225.4	223.7	223.7	248.4	248.5	235	236	49.4	62.6
November	228.3	227.5	225.9	225.9	251.5	250.2	237	237	37.6	23.4
December	230.4	229.8	227.8	227.5	253.7	252.5	239	238	23.5	34.8
January	231.9	232.0	229.1	229.5	255.3	254.9	244	242	24.5	48.3
February	235.0	234.1	230.6	231.6	257.1	257.4	249	247	25.1	48.8
March	234.4	236.1	232.0	234.2	258.6	260.0	253	250	22.2	49.4
April	237.2	238.0	234.6	236.5	261.2	262.4	258	254	31.5	81.9
May	240.1	240.0	237.0	238.6	263.9	264.6	256	252	32.9	28.8
June	243.3	242.2	240.1	240.7	268.4	267.3	260	257	58.4	37.7
July	245.2	244.3	242.0	243.0	270.6	269.7	264	260	20.9	32.7
August	247.2	246.1	244.0	245.1	272.9	272.3	262	258	22.4	33.7
September	249.5	247.9	246.2	247.0	275.2	274.7	266	263	23.5	30.1
Oct., 1980	251.6	249.8	248.3	248.9	277.1	277.0	260	257	30.3	31.7

MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1972 \$)	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
July, 1979	-1108	-1108	140.1	140.1	2377	2381	1432	1434
August	-2357	-2357	140.2	139.8	2387	2395	1428	1434
September	-2833	-2833	141.3	140.1	2412	2412	1433	1432
October	-2541	-2018	139.9	138.8	2424	2433	1428	1432
November	-2575	-2345	139.5	138.1	2439	2458	1408	1436
December	-2335	-2165	138.7	137.8	2453	2465	1425	1431
January	-2273	-2205	138.9	137.4	2454	2472	1417	1424
February	-2447	-2556	138.2	137.6	2459	2473	1410	1416
March	-2783	-2943	137.7	137.9	2468	2479	1406	1409
April	-2753	-3032	137.8	137.4	2480	2491	1403	1405
May	-2552	-2842	138.3	137.1	2492	2501	1401	1401
June	-1610	-2063	139.0	137.8	2502	2520	1397	1401
July	-1886	-1962	139.3	138.4	2523	2539	1399	1403
August	-2148	-1903	139.2	138.3	2534	2555	1395	1401
September	-2022	-2053	139.7	139.0	2549	2576	1393	1404
Oct., 1980	-2131	-2321	140.2	139.4	2588	2603	1400	1408

Fore. = December Forecast

C.E. = Current Expectations

BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-defense Capital Goods Orders		Non-defense Capital Shipments	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
July, 1979	216.9	216.9	72.48	72.55	20.23	20.23	19.39	19.39
August	219.1	219.1	74.39	74.03	21.16	20.74	19.94	20.01
September	220.8	221.4	78.42	77.56	22.41	21.86	20.25	20.02
October	223.1	223.5	74.02	75.99	20.76	20.98	20.36	19.97
November	224.6	225.4	73.14	74.43	20.55	20.53	20.45	20.25
December	226.8	227.3	72.56	74.02	20.39	20.16	20.64	20.21
January	228.3	229.0	74.16	73.79	21.02	20.38	20.67	20.13
February	229.8	231.1	72.85	73.46	20.53	20.42	20.77	20.29
March	230.5	232.8	71.73	73.62	20.12	20.40	20.66	20.35
April	231.8	234.0	74.12	73.94	20.96	20.73	20.85	20.67
May	232.7	235.3	75.63	75.52	21.42	21.53	21.03	20.83
June	233.3	237.0	75.89	75.06	21.53	21.09	21.39	21.01
July	234.1	238.8	74.12	75.34	21.01	21.14	21.26	21.20
August	234.9	240.1	74.02	77.28	21.32	22.10	21.45	21.43
September	236.5	241.6	73.61	75.49	20.79	21.66	21.33	21.67
Oct., 1980	238.1	243.0	74.46	78.16	21.15	22.49	21.49	21.94

	Business Inventories		Defense Shipments	
	Fore.	C. E.	Fore.	C. E.
July, 1979	413.8	413.8	2.78	2.78
August	416.9	416.9	2.99	2.99
September	421.3	417.3	2.88	2.93
October	424.9	421.6	2.94	3.02
November	428.9	425.0	3.00	3.08
December	434.1	431.3	3.18	3.19
January	436.0	434.4	3.23	3.24
February	438.8	436.9	3.26	3.29
March	441.4	439.4	3.29	3.35
April	442.8	442.5	3.36	3.42
May	444.1	444.9	3.45	3.51
June	446.2	447.1	3.51	3.57
July	447.9	451.3	3.57	3.65
August	449.6	447.6	3.66	3.74
September	451.7	454.2	3.81	3.86
Oct., 1980	453.8	457.7	3.92	3.92

Fore. = December Forecast
C.E. = Current Expectations

HOUSING

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
July, 1979	1.791	1.788	1.225	1.223	1.528	1.528	232.6	232.6	116.9	116.9
August	1.806	1.793	1.240	1.239	1.654	1.654	232.4	232.4	115.1	115.1
September	1.881	1.921	1.249	1.254	1.733	1.775	235.8	234.6	116.2	115.8
October	1.820	1.762	1.206	1.161	1.635	1.542	237.0	236.0	115.9	115.6
November	1.738	1.518	1.103	0.966	1.548	1.267	238.4	232.6	115.7	113.0
December	1.695	1.413	1.094	0.878	1.520	1.171	236.3	227.0	113.8	109.4
January	1.565	1.358	0.983	0.843	1.360	1.129	235.4	223.4	112.6	106.8
February	1.502	1.297	0.936	0.795	1.267	1.054	235.6	220.8	111.8	104.8
March	1.436	1.362	0.853	0.827	1.195	1.119	234.3	221.1	110.4	104.2
April	1.409	1.361	0.874	0.841	1.177	1.115	231.8	222.5	108.4	104.1
May	1.381	1.341	0.863	0.837	1.141	1.080	230.6	224.7	107.1	104.2
June	1.344	1.329	0.834	0.806	1.093	1.086	230.0	224.5	106.1	103.2
July	1.312	1.311	0.792	0.775	1.067	1.068	230.2	224.6	105.4	102.3
August	1.286	1.298	0.751	0.756	1.036	1.047	229.6	225.6	104.4	102.0
September	1.314	1.343	0.773	0.786	1.045	1.092	230.1	227.5	103.9	102.0
Oct., 1980	1.345	1.379	0.795	0.829	1.063	1.136	230.7	230.3	103.4	102.4

HOUSING CONTINUED

	Private Non Residential		Public Construction	
	Fore.	C. E.	Fore.	C. E.
July, 1979	82.9	82.9	50.9	50.9
August	82.8	82.8	49.5	49.5
September	82.5	82.4	52.1	51.0
October	83.1	84.4	51.9	51.9
November	83.9	84.7	53.0	52.6
December	84.6	85.3	52.9	53.0
January	85.1	85.8	53.5	53.3
February	85.7	86.3	54.1	53.8
March	85.6	86.5	54.2	54.1
April	86.0	86.9	54.8	54.5
May	86.6	87.3	55.3	55.0
June	87.1	87.6	54.7	54.6
July	87.5	88.0	55.3	54.7
August	87.9	88.5	56.9	55.6
September	88.1	89.0	56.2	56.1
Oct., 1980	88.4	89.4	56.6	56.5

Fore. = December Forecast

C.E. = Current Expectations

RETAIL SALES

	Retail Sales		Non Auto Durables		Auto (Million Units)		Nondurable Sales	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
July, 1979	72.37	72.37	11.08	11.08	10.5	10.5	47.90	47.90
August	74.62	74.79	11.35	11.36	11.0	11.0	48.79	48.84
September	76.26	76.93	11.47	11.59	10.8	10.8	49.82	49.96
October	75.19	75.62	11.53	11.48	9.4	9.4	49.67	50.21
November	75.57	76.99	11.62	11.46	9.5	9.5	49.80	51.10
December	75.47	76.43	11.60	11.52	9.5	9.5	49.67	50.38
January	74.93	76.23	11.42	11.53	8.5	9.0	50.66	50.79
February	75.15	76.20	11.35	11.46	8.3	8.7	51.15	51.15
March	75.39	76.00	11.40	11.38	8.3	8.3	51.29	51.51
April	75.69	75.90	11.38	11.29	8.4	8.1	51.41	51.73
May	76.32	75.89	11.39	11.33	8.6	8.0	51.68	51.86
June	76.76	76.18	11.37	11.36	8.5	8.0	52.24	52.17
July	77.23	76.61	11.38	11.41	8.3	8.0	52.95	52.59
August	77.78	77.12	11.39	11.46	8.2	8.1	53.59	52.91
September	77.43	77.86	11.32	11.51	8.2	8.6	53.26	52.76
Oct., 1980	77.95	78.67	11.36	11.62	8.3	8.7	53.53	53.31

INDUSTRIAL PRODUCTION

	Industrial Production		Capacity Utilization	
	Fore.	C. E.	Fore.	C. E.
July, 1979	152.8	152.8	86.1	86.1
August	151.5	151.7	84.8	84.9
September	152.3	152.4	85.1	85.2
October	152.3	152.4	84.8	85.0
November	151.0	151.6	83.7	84.3
December	150.3	151.0	83.0	83.7
January	149.8	150.3	82.5	83.1
February	149.1	149.5	81.8	82.5
March	148.1	148.8	80.9	81.9
April	147.3	148.3	80.2	81.4
May	146.8	148.1	79.7	81.0
June	146.3	147.7	79.2	80.8
July	145.8	148.0	78.7	80.8
August	146.1	148.1	78.6	80.6
September	146.4	148.4	78.6	80.6
Oct., 1980	146.7	148.6	78.7	80.6

Fore. = December Forecast
C.E. = Current Expectations

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Employment		Unemployment Rate		Hourly Earnings Index	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
July, 1979	89713	89713	125.7	125.7	97210	97210	5.7	5.7	230.9	230.9
August	89762	89762	125.5	125.5	96900	96900	6.0	6.0	232.2	232.2
September	89845	89803	125.9	125.9	97513	97513	5.8	5.8	234.2	234.3
October	90151	89967	125.9	125.8	97293	97293	6.0	6.0	234.9	235.0
November	90229	90185	125.7	126.3	97479	97646	6.0	5.8	237.0	236.9
December	90148	90123	125.2	125.8	97524	97673	6.1	6.0	239.7	239.1
January	89983	89956	124.8	125.4	97356	97581	6.4	6.2	241.3	240.8
February	89702	89656	124.4	124.9	97265	97381	6.7	6.4	242.8	242.5
March	89505	89445	124.0	124.4	97000	97188	6.7	6.5	244.3	244.1
April	89463	89395	123.8	124.1	96783	97205	6.8	6.6	245.9	245.9
May	89419	89373	123.6	124.0	96572	97136	7.0	6.7	247.4	247.6
June	89354	89296	123.3	123.8	96463	97038	7.3	6.8	249.1	249.4
July	89296	89316	123.1	124.0	96505	96984	7.5	7.0	250.5	251.0
August	89315	89323	123.2	124.1	96759	96985	7.7	7.3	251.9	252.4
September	89358	89394	123.4	124.4	96779	97037	7.9	7.6	253.4	254.4
Oct., 1980	89428	89457	123.7	124.7	96815	97146	8.0	7.7	254.6	255.5

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
July, 1979	1.930	1.933	1.230	1.229	88.3	88.3	1.632	1.631	1.543	1.543
August	1.938	1.947	1.233	1.226	70.1	71.5	1.636	1.640	1.566	1.569
September	1.955	1.960	1.243	1.248	42.3	51.0	1.643	1.648	1.601	1.597
October	1.975	1.978	1.257	1.257	64.7	62.6	1.661	1.661	1.596	1.599
November	1.990	1.999	1.266	1.270	63.3	52.2	1.672	1.678	1.609	1.626
December	2.002	2.010	1.269	1.272	66.4	60.1	1.682	1.688	1.616	1.628
January	2.010	2.014	1.274	1.275	68.3	56.3	1.686	1.689	1.618	1.633
February	2.021	2.028	1.279	1.281	66.4	59.4	1.694	1.699	1.628	1.640
March	2.034	2.040	1.286	1.287	67.8	64.2	1.705	1.709	1.638	1.645
April	2.046	2.052	1.292	1.293	66.6	66.4	1.714	1.718	1.647	1.652
May	2.058	2.066	1.298	1.301	63.0	69.4	1.723	1.729	1.660	1.660
June	2.067	2.078	1.302	1.307	54.3	61.2	1.725	1.732	1.671	1.671
July	2.094	2.112	1.307	1.317	72.2	84.3	1.755	1.767	1.683	1.683
August	2.108	2.126	1.316	1.326	68.2	80.6	1.764	1.776	1.696	1.696
September	2.129	2.150	1.331	1.344	75.6	78.5	1.775	1.789	1.699	1.711
Oct., 1980	2.145	2.167	1.346	1.360	77.3	82.4	1.794	1.809	1.716	1.727

Fore. = December Forecast

C.E. = Current Expectations